

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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Voluntary    Public

**Date:** 9/6/2012

**GAIN Report Number:**

## Costa Rica

**Post:** San Jose

### Pet Food Market Growth

**Report Categories:**

Market Development Reports

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**Report Highlights:**

The market for dog and cat food is quickly expanding in Costa Rica and favorable opportunities exist for US exporters of pet food; in particular, puppy and dog food are experiencing high levels of growth. The value of U.S. exports of dog and cat food to Costa Rica grew 36.8% between 2009 and 2011 to reach a total of \$11.4 million and has the potential to increase more.

**Executive Summary:**

Costa Rica's relatively high living standards make it home to a growing middle class of increasingly keen pet owners. Demand for dog and cat food continues to grow as pets gain popularity. American pet food brands are already fairly well known but opportunities exist to expand market share. There is currently overall less selection of cat food brands than dog food. However, wealthier pet owners are beginning to purchase higher-quality specialty pet foods in greater quantities for dogs and cats alike. This report examines trends in dog and cat food imports (HS codes: 2309100000, 2309100010, and 2309100090) and consumer purchases.

**General Information:**

There is a strong growing demand for pet food in Costa Rica, including for high-quality imported pet food products. Currently demand exists for American pet food brands, which are widely accepted and trusted by Costa Rican customers for their quality and price. Many brands of American dog and cat food have already penetrated the Costa Rican market with the most popular being Pedigree, Purina, Purina Dog Chow, Purina Cat Chow, and Purina Puppy Chow. These brands are widely distributed and all socio-economic classes have some familiarity with them. Among premium or specialty dog and cat foods, Science Diet and Hills are the most widely distributed American brands, according to vendors consulted for this report.

Pet food exported by the United States is usually imported either directly by a large retailer for immediate sale in store, or by licensed importers. In the latter case, it is common for importers to have exclusive importation rights for a given brand of pet food. These importers then distribute pet food to other large distributors, directly to veterinarians, or to pet food stores. The consensus amongst pet food importers and distributors consulted for this report was that the import process for pet food runs smoothly after initial product registration; no distributors reported having any difficulty with dog and cat food registration. Pet food must be registered with the Servicio Nacional de Salud Animal (SENASA) prior to importation. Distributors of pet food noted that relationships with importers were important, especially when looking to distribute new products or brands.

In retail outlets it is most common for customers to purchase pet food in large quantities, such as in 30+ pound bags. Retail centers not specializing in pet care tend to have a relatively small selection of pet food and stock just a few name brands. Pet stores offer a myriad of pet food brands, including imported brands from the United States, Mexico, Argentina, and France. Such a wide selection of pet food is novel for Costa Rican customers who enjoy the shopping experience of having a variety of brands to choose from.

When buying directly from a veterinary clinic, most clients simply purchase the brand recommended to them by the veterinarian. Most veterinarians have a lower selection of pet food brands, though this is not always the case. Veterinary clinics could represent an opportunity for American pet food brands to further permeate the market for dog and cat food in Costa Rica.

**Consumption:**

Trends in purchasing pet food vary by social class in Costa Rica. In general, the upper and upper-middle classes are enthusiastic pet owners that constitute the majority of the market for imported pet food and pet products. However, middle and lower classes, though a smaller share of the market, also purchase imported pet food brands. Across classes dogs are the most popular pet, though there are many cat owners as well.

Middle and upper-class pet owners tend to purchase pet food from larger retail stores, including super markets or specialty pet stores. There is new interest amongst these clients for specialty diet pet foods, such as with natural and/or high-quality ingredients. Overall quality and price were repeatedly cited as being important for upper class consumers of pet food, however, quality is more important than price for this demographic. Purchasing dog or cat food directly from veterinarians is also common among wealthier pet owners.

Pet owners of lower socio-economic status tend to not purchase pet food from retail centers. Instead, these customers usually purchase the majority of their pet food in small bulk quantities from more informal local markets. In these markets it is not uncommon to find repackaged imported pet food brands, dependent upon the brand's policy on repackaging. In this way many lower-income consumers are still familiar with some American pet food brands.

However, one importer did note that lower middle-class customers are beginning to purchase imported pet food brands in more mainstream retail outlets, though they comprise a smaller segment of the market. Wal-Mart for example, offers bulk pet food that can be purchased in small quantities, which is appealing to lower-income pet owners. Among this demographic price is the largest concern when making purchasing decisions.

**Trade:**

According to Global Trade Atlas (GTA) data, imports of all dog and cat food to Costa Rica were worth \$18 million in 2011. Between 2009 and 2011 Costa Rican imports of cat and dog food increased 31.5% by value, making it a rapidly expanding import sector. During this time U.S. exports of dog and cat food to Costa Rica increased 36.87%. These figures

include both dry food and hermetically sealed dog and cat food.

Dry food comprises the majority of dog and cat food imports with a total value of approximately \$10.7 million. This sector grew 53.7% by value from 2009 to 2011, and in 2011 the U.S. accounted for 78.0% of market share; Mexico and Argentina followed with 13.7% and 3.3% of market share, respectively. These figures confirm that there remains a strong interest in pet food products from the United States in Costa Rica and that U.S. exports of cat and dog food continue to enjoy a healthy rate of growth.

However, within the category of hermetically sealed dog and cat food, the U.S. has recently seen its amount of exports to Costa Rica decline. Total imports of hermetically sealed dog and cat food to Costa Rica were worth \$7.3 million in 2011, and expansion of 28.2% by value from 2009 to 2011. In 2009 the U.S. was the lead exporter of these products to Costa Rica with 51.2% of market share; by 2011 the United States' market share had dropped to 42.2%, making it the second largest exporter in this sector. Between these same years - 2009 to 2011, Mexico became the leading exporter of this type of dog and cat food to Costa Rica increasing its value of exports by 91.3% and its market share 18.3%. This brought Mexico's total market share of hermetically sealed dog and cat food imports to 55% in 2011.

### **Competition**

The largest competition faced by American dog and cat food brands is from domestic companies. Pipasa (recently bought by Cargill) manufactures popular dog food line Ascan, among others, while Central Veterinaria S.A.'s best-selling lines of dog and cat food (according to vendors) include Pro Pet, Maxi Dog, and Super Perro/Gato. These domestically produced brands are well-recognized by consumers and have easy distribution channels throughout the country.

In terms of foreign importers, with a market share in 2011 of 63.3% of all dog and cat food imports, the United States does not, in general, face any immediate strong competition. The United States' total market share of dog and cat food imports by value increased 2.4% from 2009 to 2011, the largest increase of market share of any country exporting pet food to Costa Rica. The largest competition in dog and cat food imports faced by the U.S. is from Mexico, which currently holds 30.7% of market share and has overtaken the U.S. as the top importer of hermetically sealed dog and cat food as noted previously. The majority of competition from Mexico is thought to stem from imports of Purina, of which some lines are manufactured in Mexico.

Argentina and Honduras remain the third and fourth largest exporters of dog and cat food to Costa Rica with 2% and 1% of total market share, respectively. Argentina is the source of Royal Canine, a popular dog food brand.

Though their market share remains negligible, new exporters are beginning to enter the market for dog and cat food in Costa Rica. Thus far most new importers have not gained

much ground in Costa Rica as the quality of their products is thought to be inferior and not successful with consumers. Still, between 2009 and 2011 the number of countries exporting dog and cat food to Costa Rica increased from 10 to 17, indicating that the sector is indeed growing and possibilities still exist for the United States to solidify and expand its market share.

### **Further Information**

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<http://www.senasa.go.cr/senasa/sitio/files/051211080723.pdf> (list of current requirements for the importation of pet food to Costa Rica in Spanish and English)